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# FAMILY ALLOWANCE, INDEMNITY, AND INSURANCE FOR OFFICERS AND ENLISTED MEN OF THE ARMY AND NAVY

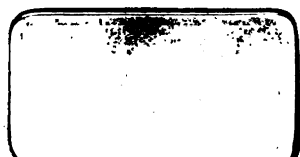
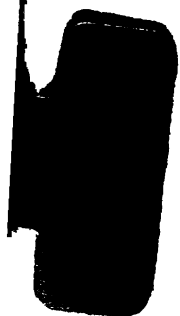
CORRESPONDENCE BETWEEN PRESIDENT WILSON AND  
HON. W. G. McADOO, SECRETARY OF THE TREASURY,  
RELATING TO THE BILL PROVIDING FOR FAMILY ALLOW-  
ANCES, INDEMNIFICATION, REEDUCATION, AND INSUR-  
ANCE IN BEHALF OF OFFICERS AND ENLISTED  
MEN OF THE ARMY AND NAVY OF  
THE UNITED STATES



PRESENTED BY MR. FLETCHER  
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**FAMILY ALLOWANCE, INDEMNITY, AND INSURANCE FOR OFFICERS  
AND ENLISTED MEN OF THE ARMY AND NAVY.**

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Correspondence between President Wilson and Hon. W. G. McAdoo, Secretary of the Treasury, relating to the bill providing for family allowances, indemnification, reeducation, and insurance in behalf of officers and enlisted men of the Army and Navy of the United States.

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THE WHITE HOUSE,  
Washington, August 7, 1917.

MY DEAR MR. SECRETARY: I have examined the inclosed papers very carefully and take pleasure in returning them with my entire approval.

Faithfully, yours,

WOODROW WILSON.

HON. WILLIAM G. MCADOO,  
*Secretary of the Treasury.*

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THE SECRETARY OF THE TREASURY,  
Washington, July 31, 1917.

DEAR MR. PRESIDENT: In accordance with your direction, I have made a careful study of the question of compensation, indemnity, and insurance for the officers and enlisted men of the military and naval forces of the United States.

In this work the Treasury Department was represented by Assistant Secretary Rowe; Mr. William C. DeLanoy, Director of the War Risk Insurance Bureau; and Mr. Hendon Chubb, chairman of the advisory board of that bureau.

I have had the cordial cooperation of the committee on labor of the advisory commission of the Council of National Defense, Mr. Samuel Gompers, chairman. Mr. Gompers appointed a special sub-committee on compensation for enlisted men and their dependents, of which the Hon. Julian W. Mack, United States circuit judge, was made chairman.

The bill which I am submitting for your consideration was drafted by Judge Mack. Capt. S. H. Wolfe, detailed by the Secretary of War, both to the committee on labor and to this department for co-operation in the work, has been very helpful. Representatives from other departments, as well as an advisory draft committee of the committee on labor, have assisted. The Department of Commerce was represented by Assistant Secretary Edwin F. Sweet, the Navy Department by Maj. Henry Leonard, and the Department of Labor by Miss Julia C. Lathrop.

The advisory committee included Mr. P. Tecumseh Sherman, Mr. J. W. Sullivan, Mr. Frank Whiting, Mr. F. Spencer Baldwin, and Mr. D. L. Coase, and was aided by Mr. V. Everit Macy, Mr. A. Parker

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Nevin, and Dr. Lee K. Frankel, members of the executive committee of the committee on labor, and others. The legislative drafting bureau, through M. Beeman, also rendered valuable aid.

After Judge Mack had completed a revision of the bill I submitted the measure to the advisory committee of insurance representatives appointed as a result of the insurance conference held July 2. This committee considered it over a period of two days and reported its general approval of the several parts of the bill, except that providing for Government insurance. They made a number of suggestions of change in details, some of which have been accepted. They opposed, however, the grant of any Government insurance over and above the compensation, on the ground that the other provisions were liberal enough and might be made more liberal in ways suggested by them. They favored, over and above compensation, the payment by the Government of \$1,000 in each case of death during service, or within five years after discharge from the service, to such beneficiary as the man may nominate or to his estate in lieu of insurance.

One of their fundamental objections to the proposed plan of insurance whereby any man in the service can purchase from \$1,000 to \$10,000 of insurance was that this gave an opportunity to the wealthier men to get something which the poorer men could not obtain. They admitted that they had failed to ascertain the premium rates to be charged under the plan contemplated. This objection is not tenable, because the president of the Actuarial Society of America stated in their presence, in response to my question, that the premium rate to be made by the Government during the war would be between \$7 and \$8 per \$1,000 of insurance. This rate would make the cost of \$10,000 insurance only \$80 per year—and only \$40 per year for half that amount—and would enable practically every private to take the maximum amount.

I realize that the cost involved in the promulgation of such a comprehensive plan is a most important factor to be considered. Actuarial estimates were submitted to me. These estimates are necessarily of a tentative character owing to the fact that it is impossible to secure accurate data upon which to base calculations. After careful consideration of these estimates, and after consultation with Capt. S. H. Wolfe, of the War Department, one of the leading actuaries of the country, I have reached the conclusion that if the bill is promptly enacted into law the total expenditure for the first and second years will be as follows:

	First year.	Second year.
Family allowances.....	\$141,000,000	\$190,000,000
Death indemnities.....	3,700,000	22,000,000
Compensation for total disability.....	5,250,000	35,000,000
Compensation for partial disability.....	3,200,000	21,000,000
Insurance against death and disability.....	23,000,000	112,500,000
Total.....	176,150,000	380,500,000

I have not attempted to estimate the cost for the third year because it is difficult to construct at this time even reasonable assumptions for that year.

The bill which I am submitting to you is intended to meet those essential and fundamental principles of justice which you have so much at heart. Its main purpose is to grant a reasonable Government indemnity against the losses and risks incurred in the discharge of a patriotic duty and in the performance of an extraordinarily hazardous service to which the Government has called and forced the citizen. It provides not only for the man but for his family.

It aims to accomplish these ends by granting a reasonable measure of indemnity against the risk of loss—

- (1) Of support of the breadwinner;
- (2) Of life and limb;
- (3) Of present insurability at ordinary rates.

The risk of dependency, in the case of an enlisted man's family, is indemnified against by allotment of part of the pay of the enlisted man, supplemented by a family allowance granted and paid by the Government.

For wife and children up to 18, or if incapable of pursuing a substantially gainful occupation because of mental or physical infirmities, then without age limit, allotments are compulsory unless waived or exempted under regulations. For other dependents they are voluntary. The compulsory allotment must equal the family allowance, with a minimum, however, of \$15, and a maximum of one-half pay. The monthly family allowance ranges from \$5 to \$50 maximum, dependent upon the size of the family, and as to other kindred than wife and children further dependent upon their actual needs and upon the amount ordinarily contributed by the man for their support. A voluntary allotment to these kindred, similar to the compulsory allotment for wife and children, is required as a condition to the allowance, but if the compulsory allotment is being made, then as to the additional allotment a minimum of \$5 and a maximum of one-seventh pay is a condition to the Government grant. The family allowance continues only for the war emergency.

To illustrate: A private gets \$33 a month for service abroad. If he has a wife and two children he must allot to them at least \$15 out of his pay. The Government supplements this by giving the family an allowance of \$32.50. This family's minimum income, therefore, would be \$47.50. The father can allot as much more as he pleases. If there is another child, the Government will allow \$5 additional. If that man should have a mother or father actually dependent upon him, and to whom he has been accustomed to contribute, say, \$15 a month, he can secure an allotment of \$10 a month from the Government for the parent by allotting \$5 more of his pay. Thus, the private with a wife, three children, and a mother actually dependent upon him, by giving \$20 out of his \$33 a month, would get from the Government for his family \$47.50 a month, giving the family an income of \$67.50, and still leave the man \$13 per month for spending money. If there are more children, or if there is also a dependent father, the Government would give up to \$50 in all, over and above the man's own allotment.

To instill thrift, to enable a man to build up a fund out of which he can pay the insurance premiums, and above all better to preserve equality and democracy among the members of our own forces and

between them and the allies, provision is made enabling the War Department and the Navy Department, by regulation, to compel men who do not allot one-half of their pay to deposit so much of the half pay as is not allotted, these deposits to bear interest at 4 per cent per annum, compounded semiannually. Inasmuch, however, as, subject to regulations of the War or Navy Departments, a man may allot as much of his pay as he pleases and can thus out of his pay take care of some obligations he may have over and above the support of his family, this measure of compulsion seems mild and justified under all circumstances. Naturally the insurance committee, opposing as it does the insurance features, objects to this provision on the alleged ground of its interference with a man's rights; but the true reason for the objection would appear to rest upon the fact that compulsory deposits would be helpful to the insurance scheme.

The risk of disability or death as to officers, men, and nurses while in active service as part of the military or naval forces of the United States is indemnified against by compensation on the analogy of the workmen's compensation act, rather than through a pension system. The sacrifice of and loss to the family is, however, taken into consideration by varying the amount of compensation both after death and during disability with the size of the family.

While in some respects the compensation system gives less than the present pension system, in other respects, especially in caring for the family after the man's death, it gives more, and on the whole aims at greater equity.

If total disability results from personal injury suffered or disease contracted in the course of the service, the compensation, based on the percentage of pay, but with a minimum of from \$40 to \$75 per month, according to the size of the family, may increase for the higher officers to a maximum of \$200 per month. Compensation, however, is not payable while the officer receives retirement allowance.

Partial disabilities are compensated for on the basis of percentages of the compensation for total disability, dependent upon the average impairment of earning capacity resulting from such injuries in civil occupations. Provision is made for commutation under regulations, but of a part only of the compensation.

Medical, surgical, and hospital treatment, supplies and appliances are given.

Rehabilitation and reeducation of the injured men are vital to the scheme. Compensation is a helpful measure of justice, but rehabilitation and reeducation, fitting him for a life of activity and usefulness, either in his former or some other vocation, is an obligation fundamental both to him and his fellow men.

The bill does not attempt to cover the matter of means and methods of effecting this. A study of European experience, both as to the victims of war and of industry, is essential therefor. Two principles are, however, established in the bill:

- (1) The man's obligations to avail himself of such opportunities as the Government may provide or cause to be provided under penalty of loss of compensation during any period of unreasonable refusal.

(2) A man's right to disability compensation regardless of his individual economic recuperation. This is an essential spur to the full development of his potentialities.

To illustrate some of these provisions and to contrast them with the pension provisions by practical examples: Assume that a man were totally disabled by losing both legs and both arms in battle. Under the existing pension system he would receive \$100 a month, regardless of the size of his family. Under the compensation provisions of this bill, if he were a private and unmarried he would receive \$40 per month, and if, as is most probable, he needed a nurse or attendant, up to \$20 additional. If he had a widowed mother dependent upon him for support, he would get another \$10. If he subsequently married, his monthly compensation would be at once increased by \$15. If later on he had children, the compensation would again be increased \$10 a month for each of the first two children; a possible maximum of \$105 a month.

In addition to this monthly payment, under either system he would be fitted with artificial limbs and would have treatment. His compensation or pension would not be affected by any increased earnings. Furthermore, if he wanted to set up as a small storekeeper, under the compensation system he would be allowed to commute \$20 a month of his compensation; this might give him \$1,000 or more and still leave him protected to some extent.

If death results from the injury or disease incurred or contracted in the course of the service, compensation is paid to the widow, children, and dependent widowed mother. The amount, based upon percentage of pay, ranges from a minimum according to the size of the family, of \$15 to \$60 per month, to a maximum for the higher officers of \$200 per month. Burial expenses of not exceeding \$100, as may be fixed by regulations, are allowed. This compensation ends for widows two years after remarriage, for children on reaching 18, unless they are physically or mentally incapable of following a substantially gainful occupation. To give the young man returning in maimed condition the opportunity to secure the care, love, and comfort that only wife and children can give, the family status at the time of each monthly payment, and not at the time of the injury or discharge, determines the amount of the grant.

Death or disability resulting from injury suffered or disease contracted in the course of the service is covered irrespective of the date when disability or death occurs, but if it occurs after discharge or resignation, it is compensated for only if a certificate has been obtained within one year after discharge or resignation that the person was suffering from injury or disease so incurred or contracted likely to result later in death or disability.

To illustrate again: If the man above referred to died as a result of his injuries, leaving the wife, two children, and widowed mother, under the pension system the family would receive ordinarily \$16, at best \$24 a month; even an officer's family would receive only \$34 a month. Under the compensation system the family would continue to receive \$60 a month. On the death of the mother this would be reduced to \$50. If the wife remarried, it would continue at this rate for two years, and would then be reduced to \$25 until the first child reached 18; thereafter to \$15; terminating when the second child reached 18.

Risk of noninsurability at ordinary rates is indemnified against by the issuance of Government insurance, covering total disability and death, to officers, men, and Army nurses while in active service as part of the military or naval forces, in an amount of \$1,000 to \$10,000.

The excess cost due to the increased mortality and disability risk should clearly be borne by the Government. The cost of administering the insurance bureau for the benefit of the fighting men is also a proper governmental charge. As the Government will not have the other expenses incident to insurance, the premium rates to be charged by it are based upon the mortality experience tables of peace times without "loading." "Loading" comprises overhead charges, commissions to agents, advertising, etc., and is a large item in the premium charges of private companies.

The cheapest form of insurance, costing during the war on an average \$8 per \$1,000 of insurance, and thus bringing even the maximum of \$10,000 insurance within the reach of practically every private, is provided for. After the war the insurance may be converted into other forms with earlier maturity, the premiums to be based, however, on the same mortality tables and without "loading." All insurance is to be payable in installments, to be nonassignable, and free from the claims of creditors either of the insured or of the beneficiary. It is to be limited to wife, children, and other specified kindred. It must be applied for within 120 days after the terms are promulgated or subsequent enlistment or entrance into the service. For those who are totally disabled or die before they have had an opportunity to insure within the prescribed period of 120 days, insurance in the sum of \$5,000 is deemed to have been applied for and granted.

Through the insurance the opportunity is given to every man to gain greater protection for himself and for his family than the Government itself voluntarily gives in case of total disability or death resulting from injuries or disease contracted in the service.

But it ought also to check any future attempts at service pension legislation by enabling a man now to provide against impairment through old age, total disability, or death resulting from other causes, and to give all this protection to those kindred who may be dependent upon him and who do not share in the Government compensation. Under the present laws monthly service pensions range from \$12 to \$30 for a man, and \$8 for the widow, and \$2 for a child.

The bureau is further empowered to give information to the men and to act for them in respect to their outstanding insurance. In this way many existing policies that might lapse may be saved by prompt payment of premiums out of the man's deposit.

The laws and experiences of other countries have been studied and used in the preparation of this bill. It is clearly recognized that the Government can offer but minimum protection, based on general averages throughout the country, and that in many States and large cities, especially, supplemental grants will be required. State and municipal legislation may be expected to meet this need.

On the administrative side the bill provides for a division of the war risk bureau into two sections, one on marine and seamen's insurance, the other on military and naval insurance. Each division is to have a commissioner under the direction of the bureau.

This, in general, is an outline of the proposed measure. We are not relying upon the volunteer system in this war. We are drafting men and compelling them to make, if necessary, the supreme sacrifice for their country. A higher obligation, therefore, rests upon the Government to mitigate the horrors of war for the fighting men and their dependents in so far as it is possible to do so through compensations, indemnities, and insurance. Less than this, a just, generous, and humane government can not do. We must set an example to the world, not alone in the ideals for which we fight, but in the treatment we accord to those who fight and sacrifice for us.

The proposed provisions for the men and their dependents should not be offered as gratuities or pensions, and they should not be deferred until the end of the war. The wives and children, the dependent mothers and fathers of the men should not be left, as in previous wars, to the uncertain charity of the communities in which they live. The minds of our soldiers and sailors should be put at rest, so far as their loved ones are concerned, by the knowledge that they will be amply provided for by their Government as a part of the compensation for the service they are rendering to their country. In like manner, they should know in advance that if they are killed in battle, definite and just provision has been made for their dependents, and that if they are disabled, totally or partially—if they come back armless, legless, sightless, or otherwise permanently injured—definite provision is made for them, and that they are not going to be left to the uncertain chances of future legislation, or to the scandals of our old pension system. Every man should know that the moment he is enlisted in the military service of the Government these definite guaranties and assurances are given to him not as charity but as a part of his deserved compensation for the extrahazardous occupation into which his Government has forced him.

It may be suggested that the cost of this system is too great. Personally I have no patience with such a suggestion; I confess that I have only compassion for it. If, under this measure, the annual cost of doing justice to our fighting men and their dependents should amount to five, six, or seven hundred million dollars per annum, at the crest of the load, it is an insignificant sum as compared with what these men do for their country and for the world. At this time we are contemplating expenditures during the fiscal year 1918 of more than \$10,000,000,000 for the prosecution of the war—for the creation of armies and death-dealing instruments to be used in destroying enough human life to restore peace and justice in the world. Shall we hesitate to expend \$700,000,000 more per annum, if need be—only about 6 per cent of the amount we propose to expend for purposes of the war—for the protection of the widows and orphans, the dependent and the injured, who, after all, make the greatest sacrifices of any part of our people, for the safety, security, and honor of our country?

Furthermore, it must be borne in mind that the Government will not escape those expenditures if this plan of compensation and insurance should be rejected, because the pension system would then be resorted to, and the cost would likely exceed that of the proposed plan. At the same time, the pension system would not provide the same benefits, nor cover the subject in the same comprehensive, humane, and equitable way. No provision is made

under our pension laws for family allowances while the men are at the front, nor for rehabilitation, life insurance, etc.

I earnestly recommend the enactment into law of the proposed measure. I hope that it may have your early consideration. Should it meet with your approval, I shall take great pleasure in bringing it to the attention of the proper committees of the two Houses of the Congress.

Sincerely, yours,

W. G. McADOO.

The PRESIDENT,  
*The White House.*

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